UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/827,509	04/05/2001	John Hindman	ODS-37	6107

75563 7590 06/23/2008

ROPES & GRAY LLP
PATENT DOCKETING 39/361
1211 AVENUE OF THE AMERICAS
NEW YORK, NY 10036-8704

EXAMINER	
COBURN, CORBETT B	
ART UNIT	PAPER NUMBER
3714	
MAIL DATE	DELIVERY MODE
06/23/2008	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
www.uspto.gov

BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Application Number: 09/827,509
Filing Date: April 05, 2001
Appellant(s): HINDMAN ET AL.

Brian E. Mack
For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed 12 March 2008 appealing from the Office action mailed 15 May 2007.

(1) Real Party in Interest

A statement identifying by name the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) Status of Claims

The statement of the status of claims contained in the brief is correct.

(4) Status of Amendments After Final

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

(5) Summary of Claimed Subject Matter

The summary of claimed subject matter contained in the brief is correct.

(6) Grounds of Rejection to be Reviewed on Appeal

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

(7) Claims Appendix

The copy of the appealed claims contained in the Appendix to the brief is correct.

(8) Evidence Relied Upon

5,842,921	Mindes et al.	5,842,921

Nevada Gaming Commission Regulation 26, Pari-Mutuel Wagering

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

Claim Rejections - 35 USC § 103

1. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

2. Claims 1-9 & 17-22 are rejected under 35 U.S.C. 103(a) as being unpatentable over Nevada Gaming Commission Regulation 26, Pari-Mutuel Wagering.

Claims 1, 7, 9: Applicant has claimed a method of projected effect of a proposed wager on pari-mutuel pools to a user. As Reg. 26 makes absolutely crystal clear, the odds and payout associated with a pari-mutuel wager must take into account all money wagered.

Thus, in order to accurately determine the odds a wagerer will receive, any system must: (1) receive user input to propose a wager that is associated with at least one pari-mutuel pool; (2) obtain information that affects the user's potential winnings (i.e., pari-mutuel pool information -- current pool amount, commission, taxes, etc.) from the pool over some type of communications link; and provide the projected effect the user's proposed wager would have on the pari-mutuel pool to the user – without changing the pool itself. No system could possibly provide accurate odds information to the wagerer without following these steps. Essentially, Applicant is attempting to patent providing accurate projected odds/payout information to the wagerer – thus precluding anyone else in the United States from providing accurate odds/payout information. This is overbroad.

It is well known that wagerers desire to know how much they will be paid if they make a wager (i.e., projected odds/payout). Furthermore, it is well known that large wagers can have significant effects on the potential payout. This is a direct result of the method by which payouts of pari-mutuel pools are determined. It would have been obvious to one of ordinary skill in the art at the time of the invention to have a system (1) receive user input to propose a wager that is associated with at least one pari-mutuel pool; (2) obtain information that affects the user's potential winnings (i.e., current pool amount, commission, taxes, etc.) from the pool over some type of communications link; and provide the projected effect the user's proposed wager would have on the pari-mutuel pool to the user in order to calculate the projected odds/payout information as described in Reg. 26 and provide the user with information on how much they will be paid if they make a wager.

Claims 2-6, 18-22: As is made clear by Reg. 26, the wager amount, wager type, track, race & horse are all critical components in determining the payout. The wager type, track, race & horse identify the pari-mutuel pool. The amount is needed to calculate the gross amount wagered.

Claim 8: Reg. 26 requires those accepting pari-mutuel wagers to provide current odds. 26.100(6). It would have been obvious to one of ordinary skill in the art at the time of the invention to have provided the current odds in order to comply with gaming regulations.

Claim 17: See claims 1 & 8.

3. Claims 10-16 & 23-31 are rejected under 35 U.S.C. 103(a) as being unpatentable over Reg. 26 as applied to claim 1 or 17 in view of Mindes (US Patent Number 5,842,921).

Claims 10, 23: Reg. 26 teaches the method of determining accurate odds/payout information in pari-mutuel wagering. Reg. 26 does not, however, teach details of how this information might be provided to a wagerer. Mindes teaches a practical system for displaying proposed odds/payout information for proposed wagers including the potential effect the proposed wager would have on the pari-mutuel pool. (Col 14, 57 – Col 15, 33) Mindes teaches providing input via telephone. (Col 6, 29-32) The telephone is a ubiquitous device – virtually every household has one. This allows access to the system by more people, thus increasing the possible profits. It would have been obvious to one of ordinary skill in the art at the time of the invention to have a telephone as a part of the user interface in order to provide an appropriate input device while ensuring that most people have access to the system, thus increasing profit potential.

Claims 11, 12, 14, 16, 24, 25, 27, 31: As discussed in connection with claim 1, it is obvious to display/announce the projected effect of the proposed wager to the user in order to provide information on how much they will be paid if they make a particular wager.

Claims 13, 26: Mindes teaches a set top box (322) as a user interface.

Claims 15, 30: Mindes teaches a computer (302) as a user interface.

Claim 28: Mindes teaches displaying information about the game in windows. (Col 6, 33-38) While not disclosed in connection with a set top box, these windows serve to separate the information concerning different races, thus reducing player confusion. It would have been obvious to one of ordinary skill in the art at the time of the invention to

have displayed the projected effects information in a window on a television in order to separate the information concerning different races, thus reducing player confusion.

Claim 29: Mindes teaches displaying information about the game, including odds, in windows. (Col 6, 33-38) Mindes teaches that the window may occupy the entire screen. It is well known to toggle between windows that fill the entire screen.

(10) Response to Argument

This case asks the question, "Is it obvious to use the mathematical formula used to calculate odds in a pari-mutuel wager to calculate the odds of a proposed pari-mutuel wager?" Examiner contends that it is obvious.

There is only one way to calculate the odds in pari-mutuel wagering. This method is explained in the Nevada Gaming Commission Regulation 26. It involves applying a formula that includes the total amount wagered as one of its terms.

It has long been recognized that large bets can make a significant change in the odds. As pointed out in a previous office action, this fact is so well known that it has figured in fiction. For instance, in Ian Fleming's *Diamonds Are Forever*, James Bond is told to place a wager immediately before the betting window closes because a bet of the size he is to make will change the odds (and signal that the race is fixed, thus convincing other people to bet on Bond's horse). The fact that large bets are known to have substantial effects on the odds would, Examiner contends, lead one considering making such a bet to wonder what the odds might be if he does so.

How would one answer this question? There is only one way. In order to calculate the effect of a proposed wager on the odds in a pari-mutuel wager, one would have to take the total

amount currently wagered, add the amount of the proposed wager, and use the method described in Reg. 26 to calculate the odds. There is no other way to determine the effect of a proposed wager on pari-mutuel odds.

Examiner contends that it is obvious to ask what the effect of a proposed wager would have on the odds since large wagers are known to make significant changes in the odds and since these odds determine the payout. And once the question is asked, it would be obvious to use the only method of calculating the projected effect of a proposed wager on the odds to arrive at the answer.

Response to Appellant's Specific Arguments

A. Regulation 26 does not show "projected" effect of a "proposed" wager.

Appellant argues that Reg. 26 does not discuss showing the projected effect of a proposed wager in pari-mutuel gambling. Examiner absolutely concurs that Reg. 26 does not anticipate Appellant's claimed invention. Examiner never claimed that Reg. 26 mentioned the projected effect of a proposed wager. Examiner merely contends that by defining the method of calculating the odds in a pari-mutuel wager, Reg. 26 renders Appellant's claims obvious.

As discussed above, Reg. 26 makes it clear that to calculate the effect the proposed wager would have on pari-mutuel pools, or odds, one would necessarily be required to follow the method outlines in the regulation using the total already wagered added to the proposed wager.

Perhaps a simpler example would provide a clearer explanation of the arguments offered by both sides. Suppose Joe has a bank balance of $100. Assume there is a banking regulation that requires the bank to use the following formula to calculate the balance at the end of a compounding period: his final balance (FB) will be the current balance (CB) + 10%. That is:

$$FB = CB + 0.1*CB.$$

Examiner contends that if Joe wanted to know what his balance would be if he added an extra $100 to his bank account (i.e., Proposed Deposit or PD), it would be obvious for him to use the formula PB = (CB + PD) + 0.1* (CB+PB). This is elementary mathematics. Appellant contends that because the banking regulation does not mention proposed deposits or proposed balances, it would not be obvious for Joe to apply this elementary mathematics to answer this question. Apparently, Joe is never to know what effect it would have on his bank account to add an extra $100 because there is only one way to figure it out & Appellant contends that it would not be obvious to use that method because it fails to explicitly mention proposed balance or proposed deposit.

The formula for calculating the effect of a proposed wager on the odds & pari-mutuel pool is somewhat more complicated, but in essence the arguments are the same. The regulation tells how the odds must be calculated and it involves using the total amount wagered. Examiner contends that it would be obvious to do a little elementary mathematics to arrive at the one and only formula that would make the necessary calculations. Appellant, on the other hand, contends that since the regulation fails to mention "projected" effect and "proposed" wager, this exercise in elementary mathematics would be beyond the level of ordinary skill.

B. One skilled in the art would have no reason to modify Reg. 26.

In this section, Appellant essentially admits that one attempting to determine the projected effect of a proposed wager on the pari-mutuel pool and odds would be forced to follow the method of calculating these odds outlined in Reg. 26. On page 7 of the brief, Appellant suggests that the person wishing to make these calculations could make mental estimates, use

paper and pencil, or some separate electronic means to calculate these proposed odds based on the total pool size and the proposed wager amounts. The Appellant then states that these methods would not be covered by Appellant's claims. Examiner disagrees with this contention.

Appellant's claims encompass any method of providing projected effects of wagering on pari-mutuel pools to a user in an interactive wagering system. It is Examiner's contention that the phrase "in an interactive wagering system" does not limit the claimed method. There is simply nothing in the independent claims that can be interpreted as requiring any structure such as a computer system. If the user of a betting terminal wonders what projected effect his proposed $10,000 bet will have on the odds and pool and his friend the math whiz pulls out his calculator to answer the question, the friend would be infringing on these claims.

Furthermore, even if the phrase were considered to be limiting, Reg. 26 renders such a system obvious. Again, there is only one formula and anyone who wants to arrive at the correct answer has to use that formula. One of ordinary skill designing an interactive wagering system capable of providing projected effects of wagering on pari-mutuel pools to a user would be required to use that formula. Thus it would be obvious to do so.

Appellant suggests that the limitation, "without changing the pari-mutuel pool" is the basis for patentability. This is not persuasive.

In the banking example above, Joe doesn't actually have to put the proposed deposit of $100 in the bank. He has a question and does a little elementary mathematics to arrive at his answer. Examiner contends that the same sort of thing applies in this case. A bettor has a question and can do a little elementary mathematics to arrive at an answer. The fact that he doesn't change the pari-mutuel pool to answer this question is a given. He simply did a little

math. If he likes the odds, maybe he'll bet. Maybe he won't. But until he actually bets, the pool doesn't change.

As for Appellant's statement that the system could add the proposed bet to the pool and then allow the player to withdraw the bet, permit the Examiner to observe that no such system could be functional. The essence of pari-mutuel wagering is that more than one person can wager and the odds given are dependent on the total amount wagered by all players. Suppose people were allowed to place their money in the pool and withdraw the wager at some later time. No one would ever know the odds until the time for withdrawing proposed wagers had passed because it would be impossible to determine how much of the pool was actual wagers that were not going to be withdrawn and how much of the pool was proposed wager that might be withdrawn. Thus it would be impossible to provide projected effects of wagering on pari-mutuel pools to a user under these conditions.

Appellant then argues that "even if there were only one way to determine the effect of a proposed wager, this fact alone does not militate against patentability." (Brief, page 8.) Actually, it does.

The instant application is in many ways analogous to that considered by the Court in *Gottschalk v. Benson*, 409 U.S. 63, 71-72, 175 USPQ 673, 676 (1972). In that case, the Court considered whether a program to convert binary coded decimals to pure binary was patentable. The Court ruled, "It is conceded that one may not patent an idea. But in practical effect that would be the result if the formula for converting binary code to pure binary were patented in this case. The mathematical formula involved here has no substantial practical application except in connection with a digital computer, which means that if the judgment below is *affirmed*, the

patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself." (Emphasis in original.)

In the instance case, the effect of granting a patent would be to wholly preempt the use of the mathematical formula for determining the effect of a projected wager on a pari-mutuel pool and odds, thus patenting every practical application of the idea. As the Court ruled in *Benson*, this is tantamount to patenting the idea itself. Perhaps a rejection under 35 U.S.C. §101 might have been appropriate, but be that as it may, Examiner contends that the fact that this is the one and only method of determining the effect of a projected wager on a pari-mutuel pool and odds – a method that is well known – renders use of this method obvious.

Appellant argues that there is no teaching, suggestion or motivation to modify the method of calculating pari-mutuel odds to account for the effect of a proposed wager. Examiner disagrees.

First, Examiner will point out that the TSM test is not the only test of obviousness. One may show obvious by showing that one of ordinary skill could apply known methods to make the modification to yield predictable results. In this case, those of ordinary skill have significant mathematical knowledge – calculating pari-mutuel odds is an exercise in mathematics. Clearly applying a little junior high school algebra is within the level of ordinary skill and we can take it that junior high school algebra represents a "known method". The modification would yield predictable results – after all, it is just an elementary problem in mathematics.

But even if the TSM test were the only test, there is sufficient motivation to make the modification. As pointed out above, it is well known that large wagers can cause significant

changes to the odds. These odds directly affect payout. If someone is going to make a large wager he has a motivation to try to calculate the effect that wager might have on the odds.

Appellant attempts to downplay that motivation by pointing out that the majority of wagers are small. But in the end, Appellant is forced to admit that there is a need. While Appellant characterizes it as a "small need" (Brief, page 9), there is a need. And since this need applies to the wealthiest of racetrack patrons, one of ordinary skill would be more than ordinarily motivated to meet that need. After all, if the racetrack takes care of the person who routinely places $10,000 bets, that person is likely to return. And since the racetrack gets a percentage of ever dollar bet, they really want that high roller to come back often.

C. Dependent claims

Appellant essentially states that all claims stand and fall with the independent claims 1 & 17. Since Applicant did not argue claims 1 & 17 separately, that means that all claims stand and fall with whichever claim the Board selects as a representative claim.

(11) Related Proceeding(s) Appendix

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

/Corbett B. Coburn/
Primary Examiner, Art Unit 3714

Conferees:

/Robert E Pezzuto/

Supervisory Patent Examiner, Art Unit 3714

/Xuan M. Thai/

Supervisory Patent Examiner, Art Unit 3714